

- Senate Finance Committee -  
ESTIMATED REVENUE EFFECTS OF ITEMS REPORTED PURSUANT TO BUDGET RECONCILIATION INSTRUCTIONS

Fiscal Years 1990-1994  
[Millions of Dollars]

Item	Effective	1990	1991	1992	1993	1994	1990-94
<b>I. REPEAL FINANCIAL INSTITUTION (FSLIC &amp; FDIC) TAX BENEFITS</b>							
(P.L. 101-73) (1).....	5/10/89	568	31	351	310	213	1,473
<b>II. CORPORATE PROVISIONS</b>							
A. Defer interest deduction on certain high-yield original issue discount (OID) obligations until interest is paid.....	*	18	44	86	120	141	409
B. Limit dividends received deduction with respect to certain nontaxed income of consolidated subsidiaries (effective for stock issued after effective date).....	10/ 3/89	45	92	154	209	271	771
C. Repeal nonrecognition treatment when securities are received in a section 351 transaction.....	(2)	164	288	289	316	359	1,416
D. Reduce built-in gain or loss threshold of sections 382 and 384 to lesser of 15% or \$25 million.....	10/ 3/89	12	18	17	18	19	84
E. Require basis reduction for nontaxed portion of dividends on self-liquidating ("wasting") stock.....	*	6	10	11	12	13	52
F. Modify consolidated return excess loss account recapture rules to prevent shifting of basis to debt.....	*	54	69	61	52	42	278
G. Clarify Treasury regulation authority relating to bifurcation of an instrument into debt and equity portions (section 385).....	**	(3)	(3)	(3)	(3)	(3)	(3)
H. Require reporting to IRS of acquisitions and recapitalizations.....	D/o/E	(3)	(3)	(3)	(3)	(3)	(3)
I. Require Treasury study of "debt versus equity" and integration issues.....	D/o/E	--	--	--	--	--	--
J. Limit net operating loss carrybacks attributable to interest expense in certain circumstances (S. 1506).....	ty/e/a: 8/ 2/89	226	406	420	384	343	1,779
K. Require regulated investment companies (mutual funds) to distribute 98% of ordinary income to their shareholders.....	ty/e/a: 7/10/89	50	5	5	5	5	70
L. Adjust basis for mutual fund load charge only if shareholder holds shares for more than six months.....	10/ 4/89	28	46	22	7	5	108
M. Include dividends in income of regulated investment companies on ex-dividend date (effective for ex-dividend dates after D/o/E).....	D/o/E	110	20	20	20	20	190
Subtotals:		713	998	1,085	1,143	1,218	5,157

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## III. EMPLOYEE BENEFIT PROVISIONS

- A. Repeal partial exclusion for interest paid on ESOP loans if ESOP owns less than 30% of the employer's stock (section 133)..... Generally: 6/ 7/89
- B. Permit limited use of excess pension funds to pay current retiree health benefits; reverse 401(h) letter ruling (effective 10/4/89)..... Generally: 1/ 1/89

Subtotals:

1,101	1,400	1,774	2,123	2,488	8,886
585	417	380	345	321	2,048
1,686	1,817	2,154	2,468	2,809	10,934

## IV. FOREIGN PROVISIONS

- A. Conform tax years of certain controlled foreign corporations and foreign personal holding companies to the tax years of certain U.S. shareholders (with one-month exception)..... ty/b/a: 7/10/89
- B. Change the sourcing of income of certain corporations in commonly-controlled groups..... ty/b/a: 7/10/89
- C. Improve information reporting by U.S. subsidiaries and branches of foreign corporations..... ty/b/a: 7/10/89

Subtotals:

48	71	71	71	36	297
20	37	41	45	49	192
55	75	80	85	90	385
123	183	192	201	175	874

## V. EXCISE TAX PROVISIONS

- A. Repeal Airport and Airway Trust Fund tax reduction trigger (10)..... 1/ 1/90
- B. Increase international air passenger departure tax from \$3.00 to \$6.00 per person (10)..... 1/ 1/90
- C. Impose \$3.00-per-passenger tax on international departures by commercial ships..... 1/ 1/90
- D. Impose Oil Spill Liability Trust Fund petroleum tax at \$.03/barrel (cap at \$300 million)..... 1/ 1/90
- E. Impose tax on ozone-depleting chemicals subject to the Montreal Protocol..... 1/ 1/90
- F. Impose Wetlands Trust Fund tax on oil and gas produced offshore at \$.03/barrel of oil and \$.02/thousand cubic feet of natural gas..... 1/ 1/90
- G. Change collection of gasoline excise from semi-monthly to weekly deposits..... 1/ 1/90
- H. Modify collection period for airline ticket tax (taxes billed after 6/30/90)..... --

Subtotals:

851	1,505	1,630	1,762	1,907	7,655
51	89	94	100	106	440
5	7	8	8	8	36
43	114	60	8	--	225
384	560	753	1,171	1,442	4,310
47	80	83	85	88	383
111	4	1	2	4	122
110	6	6	7	7	136
1,602	2,365	2,635	3,143	3,562	13,307

## VI. ACCOUNTING PROVISIONS

- A. Repeal remaining portion of completed contract method of accounting..... \*
- B. Modify treatment of cost of acquiring franchises, trademarks, and trade names (20-year amortization election for fixed and contingent payments)..... 10/ 3/89

Subtotals:

171	390	262	116	28	967
51	108	144	157	185	645
222	498	406	273	213	1,612

## VII. EMPLOYMENT TAX PROVISIONS

- A. Impose income tax withholding on the wages of certain agricultural workers..... 1/ 1/90
- B. Payroll tax speedup (\$250,000 threshold; next-day deposit in 1990, third-day deposit in 1991 and 1992, and next-day deposit thereafter)..... 6/30/90

Subtotals:

270	68	21	22	23	404
2,366	-694	100	106	1,108	2,986
2,636	-626	121	128	1,131	3,390



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10/ 4/89	6	12	16	19	20	73
7/10/89	100	120	130	140	151	641
	106	132	146	159	171	714

1/ 1/89	-439	-316	-96	--	--	-851
1/ 1/89	-127	-82	-29	--	--	-238
1/ 1/90	-47	-134	-144	-80	-37	-442
1/ 1/90	-398	-782	-968	-1,063	-1,194	-4,405
ty/b/a:						
8/ 1/89	-335	-625	-275	--	--	-1,235
1/ 1/90	-56	-81	-51	-38	-40	-266
1/ 1/90	-11	-55	-128	-205	-269	-668
1/ 1/90	-7	-39	-58	-78	-76	-258
1/ 1/90	-79	-333	-681	-1,058	-1,448	-3,599
1/ 1/90	-244	-411	-151	--	--	-806
1/ 1/90	-10	-20	-10	--	--	-40
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	-1,753	-2,878	-2,591	-2,522	-3,064	-12,808

1/ 1/91	--	51	-1,090	-1,130	-1,229	-3,500
1/ 1/91	--	-46	-964	-903	-882	-2,795
1/ 1/91	--	-63	-632	-681	-732	-2,108
1/ 1/90	25	(3)	(3)	(3)	(3)	25
1/ 1/91	--	1,612	2,732	2,930	3,143	10,417
7/31/90	102	5	5	6	6	124
	127	1,457	51	222	306	2,163

## Item

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## X1. INDIVIDUAL RETIREMENT ACCOUNTS (IRAs)

Provide for 50% Deductibility of Contributions (effective 1/1/91), and Allow Penalty-Free Withdrawals for First-Time Homes and Higher Education Expenses (effective 1/1/90).....

1/ 1/91  
and  
1/ 1/90

-192 -1,560 -3,265 -3,613 -4,055 -12,685

## X11. OTHER PROVISIONS

A. Repeal section 89.....	1/ 1/89	-154	-156	-170	-185	-202	-867
B. Continue temporary rules concerning allocation of taxes for Railroad Retirement Trust Fund.....	10/ 1/89	--	--	--	--	--	--
C. Require exercise of Treasury regulatory authority with respect to full-funding limitation on a revenue-neutral basis.....	D/O/E	--	--	--	--	--	--
D. Treat income from personal injury awards to children as earned income not subject to tax at parent's rates.....	1/ 1/87 ty/b/a:	(3)	(3)	(3)	(3)	(3)	(5)
E. Permit private foundations to use common investment funds.....	12/31/89	-1	-4	-8	-11	-15	-39
F. Modify rules concerning recapture of bad-debt reserves of mutual savings banks and other thrift institutions.....	D/O/E (7)	1 38	3 28	10 12	13 --	20 --	47 78
G. Deny retroactive certification of WIN credit.....	D/O/E	-1	-2	-2	-3	-3	-11
H. Estate, gift, and generation-skipping tax provisions:							
1. Estate tax marital deduction--Overrule Howard Estate.....	10/ 4/89	-(6)	-(6)	-(6)	-(6)	-(6)	-(6)
2. Exclude annual exclusion gifts under section 2035.....	D/O/E	-1	-2	-2	-3	-3	-11
3. Allow waiver of right of contribution (section 2207A) in limited circumstances.....	D/O/E	-(6)	-(6)	-(6)	-(6)	-(6)	-(6)
4. Repeal estate freeze rules (section 2036(c)).....	12/31/87	-27	-72	-146	-249	-384	-878
5. Generation-skipping transfer tax--Make \$2-million exemption permanent, with modifications.....	10/ 4/89	-1	-15	-23	-31	-42	-112
6. Marital deduction rules for nonresident aliens:							
a. Eliminate income requirement and other minor changes.....	11/10/88	-(6)	-2	-2	-2	-2	-8
b. Permit trustee discretion to make distributions to surviving spouse in case of hardship.....	11/10/88	-4	-2	-2	-3	-3	-14
I. Allow deduction for certain adoption expenses.....	1/ 1/90	-2	-3	-3	-3	-3	-14
J. Reinstate income averaging for farmers.....	1/ 1/90	-5	-65	-70	-75	-80	-295
K. Extend one-year deferral rule to crop payments made pursuant to Disaster Assistance Act of 1989.....	--	-12	--	--	--	--	-12
L. Provide relief to wholesale distributors of diesel fuel.....	4/ 1/88	-(6)	-1	-1	+(6)	+(6)	-2
M. Modify treatment of hedging transactions by REITs.....	D/O/E	(8)	(8)	(8)	(8)	(8)	(8)
N. Cost recovery:							
1. Establish 2-year class life for rental tuxedos.....	1/ 1/90	-2	-7	-8	-7	-5	-29
2. Revenue-neutral change to deduction for expenditures incurred to assist disabled.....	1/ 1/90	--	--	--	--	--	--
O. Employee benefit provisions							
1. Make section 401(k) plans available to tax-exempt organizations.....	1/ 1/90	-15	-32	-38	-42	-56	-183
2. Change integration rules.....	1/ 1/89	(9)	(9)	(9)	(9)	(9)	(9)
3. Modify geographic limitation for VEBAs.....	10/ 3/89	-5	-9	-13	-17	-20	-64
4. Modify leased employee rules per S. 5.....	1/ 1/84	(9)	(9)	(9)	(9)	(9)	(9)
5. Modify nondiscrimination rules for dependent care exclusion per S. 5.....	1/ 1/89	(9)	(9)	(9)	(9)	(9)	(9)
P. Tax-exempt bonds							
1. Permit State housing agencies to issue tax-exempt bonds in connection with purchase of certain assets from troubled financial institutions.....	D/O/E	-1	-4	-7	-11	-16	-39
2. Permit refunding of bonds issued by certain municipal authorities....	D/O/E	-1	-4	-6	-9	-11	-31



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3. Modify rules concerning tax-exempt bonds issued by 501(c)(3) organizations.....						
4. Extend period allowed for issuance of Mortgage Credit Certificates...	1/ 1/90	-4	-15	-22	-29	-79
5. Permit financing of sports facilities with tax-exempt bonds.....	D/o/E	(-6)	(-6)	(-6)	(-6)	(-6)
Q. Provide guidance for Treasury regulatory authority concerning treatment of split annuities.....	1/ 1/90	-2	-11	-16	-23	-58
R. Reduce BATF alcohol occupational tax for small retail dealers.....	10/21/88	(-6)	(-6)	(-6)	(-6)	(-6)
S. Provide statute of limitations for alcohol occupational taxes for periods prior to 1986.....	1/ 1/90	-5	-5	-6	-6	-27
T. Increase excise tax on pension reversions to 20%.....	D/o/E	-2	-2	-2	-2	-10
U. Add authorization for essential air service to Airport and Airway Trust Fund.....	10/ 4/89	9	2	1	1	17
V. Foreign provisions	D/o/E	--	--	--	--	--
1. Consider certain leased assets for purposes of the passive foreign investment company asset test.....	ty/b/a:					
2. Modify application of passive foreign investment company rules for export trade corporations.....	12/31/88	-6	-5	-5	-5	-26
3. Modify treatment of certain scholarships and fellowships received by nonresident aliens.....	12/31/88	-6	-4	-4	-4	-22
W. Accounting provisions	ty/b/a:					
1. Modify treatment of safe-harbor leases entered into by rural electric cooperatives.....	12/31/89	-8	-13	-13	-14	-59
2. Farm debt relief--Limited exclusion from discharge of indebtedness income.....	(11)	-12	-7	-7	-6	-39
3. Contributions for facilities to replace contaminated water supplies..	1/ 1/87	-45	-20	-23	-26	-132
4. Modify percentage of completion method of accounting for long-term contracts.....	1/ 1/89	-1	-2	-2	-2	-8
5. Timber passive loss material participation exception.....	1/ 1/90	-83	-57	-35	-22	-316
6. Annual accrual method of accounting not limited to sugar cane.....	ty/b/a:					
7. Installment sales of residential lots and timeshares by C corporations (regular and minimum tax).....	12/31/89	-8	-30	-36	-40	-140
X. Energy/excise tax provisions	1/ 1/87	-8	-3	-3	-3	-25
1. Extend section 29 credit through 12/31/92 and include production from tight sands.....	1/ 1/90	-13	-12	-7	-6	-55
2. Gasohol--provide tolerance limits for blending.....						
3. Facilitate tax-free purchase of fuels by crop dusters.....	1/ 1/90	-40	-168	-198	-180	-685
V. Allow exclusion preferences as part of the alternative minimum tax credit.....	1/ 1/90	(-6)	(-6)	(-6)	(-6)	(-6)
Z. Small business exemption from recognition of gain or loss on liquidating sales or distributions (exemption from repeal of General Utilities doctrine).....	ty/b/a:					
AA. Penalty reform.....	12/31/89	--	-61	-92	-119	-296
BB. IRS notice to taxpayers concerning withholding per S. 811 and S. 753....	1/ 1/89	3	-5	-11	-15	-27
CC. Increase Joint Committee on Taxation refund review threshold to \$1 million.....	1/ 1/90	--	-82	-58	-25	-216
DD. Technical corrections.....	D/o/E	--	--	--	--	--
Subtotals:		-426	-758	-981	-1,178	-1,352
						-4,695



## XIII. OTHER PROVISIONS ADOPTED BY THE COMMITTEE

A.	Modify rules for determining cooperative patronage source income and loss from asset sales.....	(11)	-18	-23	-9	10	--	-40
B.	Modify application of self-dealing rules for public charities that become private foundations.....	ty/b/a: D/o/E	(8)	(8)	(8)	(8)	(8)	(5)
C.	Modify treatment of employer-provided qualified transportation expenses.....	1/ 1/90	-7	-9	-9	-10	-10	-45
D.	Deny amortization of life estate in related-party joint purchases.....	7/27/89	3	5	9	14	22	53
E.	Remove gifts of appreciated property as a tax preference for one year.....	ty/b/a: 12/31/89	-13	-60	--	--	--	-73
F.	Allow dividend received deduction from ACE for 20% - 80% stock ownership.....	ty/b/a: 12/31/89	-15	-24	-20	-17	-14	-90
G.	Allow alcohol fuels credit for ethyl tertiary butyl ether (ETBE).....	1/ 1/90	-18	-51	-106	-58	-9	-242
H.	Provide exception from income phaseout of passive loss rule for \$25,000 exemption for rehabilitation credit and low-income housing credit.....	1/ 1/90	-8	-21	-29	-39	-48	-145
I.	Allow reserve deductions for certain minimum premium plans.....	(11)	(8)	(8)	(8)	(8)	(8)	(8)
J.	Modification of empty-seat rule for fringe benefit purposes.....	1/ 1/90	-4	-9	-11	-12	-13	-49
K.	Allow family farm corporations that were required to use an accrual method of accounting, by reason of the 1987 Act, to elect a 10-year spread rather than a suspense account.....	ty/b/a: 12/31/87	-18	-14	-15	-16	-17	-80
L.	Oil and gas percentage depletion: Repeal net income limitation for production from marginal wells.....	ty/b/a: 12/31/90	--	-24	-50	-50	-49	-173
M.	Exclusion for certain overseas allowances received by certain Defense Department personnel.....	1/ 1/89	(8)	(8)	(8)	(8)	(8)	(5)
N.	Eliminate the excise tax imposed on the Inactivated Polio Vaccine, conditional upon action of the Labor and Human Resources Committee.....	--	--	--	--	--	--	--
O.	Tax exemption for Overseas Private Investment Corporation (OPIC).....	D/o/E	--	--	--	--	--	--
P.	Continue IRS authority to assist other law enforcement agencies with undercover operations for two years.....	D/o/E	--	--	--	--	--	--
Q.	Require Treasury study of standards for tax exemption of certain health insurance organizations.....	D/o/E	--	--	--	--	--	--
R.	Clarify Treasury regulatory authority concerning variable contracts issued by controlled foreign corporations.....	ty/b/a: 12/31/89	--	--	--	--	--	--
S.	Technical amendments to the Financial Institutions Reform, Recovery, and Enforcement Act.....	--	--	--	--	--	--	--
Subtotals:			-98	-230	-240	-178	-138	-884

## SUMMARY

I.	REPEAL FSLIC & FDIC TAX BENEFITS (1).....	568	31	351	310	213	1,473
II.	CORPORATE PROVISIONS.....	713	998	1,085	1,143	1,218	5,157
III.	EMPLOYEE BENEFIT PROVISIONS.....	1,686	1,817	2,154	2,468	2,809	10,934
IV.	FOREIGN PROVISIONS.....	123	183	192	201	175	874
V.	EXCISE TAX PROVISIONS.....	1,602	2,365	2,635	3,143	3,562	13,307
VI.	ACCOUNTING PROVISIONS.....	222	498	406	273	213	1,612
VII.	EMPLOYMENT TAX PROVISIONS.....	2,636	-626	121	128	1,131	3,390
VIII.	OTHER REVENUE-RAISING PROVISIONS.....	106	132	146	159	171	714
Subtotals:			7,656	5,398	7,090	7,825	37,461

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IX. EXPIRING PROVISIONS.....							
X. CHILD CARE, S CORPORATION, ESTIMATED TAX, AND TELEPHONE EXCISE TAX.....		-1,753	-2,878	-2,591	-2,522	-3,064	-12,808
XI. INDIVIDUAL RETIREMENT ACCOUNTS (IRAs).....		127	1,457	51	222	306	2,163
XII. OTHER PROVISIONS.....		-192	-1,560	-3,265	-3,613	-4,055	-12,685
XIII. OTHER PROVISIONS ADOPTED BY THE COMMITTEE.....		-426	-758	-981	-1,178	-1,352	-4,695
		-98	-230	-240	-178	-138	-884
<b>GRAND TOTALS.....</b>		<b>5,314</b>	<b>1,429</b>	<b>64</b>	<b>556</b>	<b>1,189</b>	<b>8,552</b>

NOTES: In "Effective" column-- D/o/E denotes provision effective on date of enactment.  
 ty/b/a denotes "taxable years beginning after" effective date given.  
 ty/e/a denotes "taxable years ending after" effective date given.  
 \* denotes provision is effective for transactions after 7/10/89, unless otherwise noted.  
 \*\* denotes this regulatory authority is to be exercised on a prospective basis.

- + Rules expire 4 months after start of a firm's first tax year beginning after 8/1/87.
- (1) Estimate reflects net budget effects, including outlay effects, as estimated by the Congressional Budget Office.  
 (2) Provision generally would apply to transfers made by corporations after 7/11/89 and to transfers made by all other persons after 10/2/89.  
 (3) Gain of less than \$5 million.  
 (4) Gain of less than \$500,000.  
 (5) Total is not available for estimates represented by footnotes.  
 (6) Negligible amount.  
 (7) Credits first claimed after March 11, 1987.  
 (8) Loss of less than \$5 million.  
 (9) Loss of less than \$500,000.  
 (10) Under the Gramm-Rudman-Hollings Act, excise taxes that are dedicated to trust funds are carried as though they are extended without change after the scheduled expiration date.  
 (11) Generally effective for taxable years beginning after 12/31/88; in addition, applies to all taxable years beginning before 1/1/90, if the taxpayer so elects in its return for a taxable year beginning before 1/1/90.



